

# Debt Service

## MISSION STATEMENT

This section provides budget data for the repayment of general obligation bonds issued and payment of long-term leases and short-term financing for public facilities and infrastructure in the Debt Service Fund for all tax supported County agencies (MCG, M-NCPPC, MCPS, and Montgomery College), as well as other associated costs.

## BUDGET OVERVIEW

The total recommended FY06 Operating Budget for Debt Service is \$217,074,540, an increase of \$13,229,590 or 6.5 percent from the FY05 approved budget of \$203,844,950. This amount includes long-term lease expenditures and other debt of \$12,907,060, and short-term financing of \$11,091,700, but excludes \$55,160 in debt service which is appropriated in non-tax supported funds.

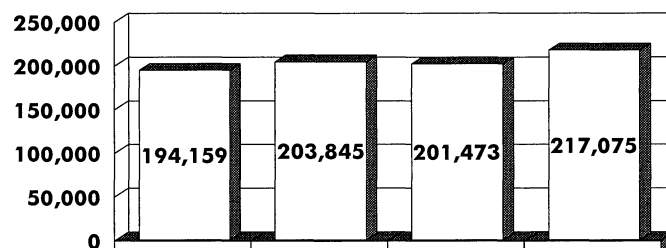
### General Obligation Bonds

General obligation (G.O.) bonds are issued by the County to finance a major portion of the construction of long-lived additions or improvements to the County's publicly-owned infrastructure. The County's budget and fiscal plan for these improvements is known as the Capital Improvements Program (CIP) and is published separately from the Operating Budget and Public Services Program. Currently, G.O. bonds are anticipated to fund approximately 57 percent of the County's capital expenditures for the six years of the Amended FY05-10 CIP program. The bonds are repaid to bondholders with a series of principal and interest payments over a period of years, known as Debt Service. In this manner, the initial high cost of capital improvements is absorbed over time and assigned to citizens benefiting from facilities in the future, as well as current taxpayers. Due to various Federal, State, and local regulations, interest rates are lower than in the private sector. However, once committed, Debt Service represents a major continuing claim on County resources that must be kept within the annual operating requirements of the County government in order to avoid excessive pressures on operating budgets in years of revenue shortfalls.

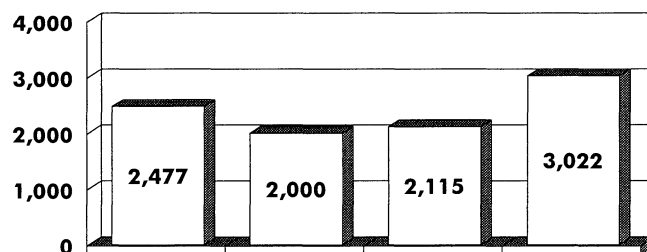
Section 305 of the County Charter requires the County Council to set Spending Affordability Guidelines (SAG) for the CIP. The guidelines are related to how much the Council believes the County can afford, rather than how much might be needed. The guidelines apply to County G.O. bonds and must specify the total G.O. debt issued by the County that may be planned for expenditure in the first and second year and approved under the six-year CIP. The approved SAG limits are \$209.0 million for FY05, \$209.0 million for FY06, and \$1,218.0 million for the Amended FY05-10 CIP. The County Executive submits a CIP within SAG.

"General obligation" refers to the fact that the bonds are backed by the "full faith and credit" of the County and its general

### Trends



EXPENDITURES [\$000s]



RELATED REVENUES [\$000s]

revenue stream. In addition, the Montgomery County Charter provides that the Director of Finance must make debt service payments even if the Council fails to provide sufficient appropriation. County G.O. bonds are exempt from Federal taxes and also from State taxes for citizens of Maryland. Finally, the County strives to maintain its total and projected outstanding debt and debt service within certain financial parameters according to the County's fiscal policy. Thus, these financial instruments provide strong advantages in both safety of repayment and investment return for certain categories of investors.

### **Debt Limit**

The County's outstanding general obligation debt totals \$1,329,778,054 as of June 30, 2004. The allocation of outstanding debt to government programs and functions is displayed in a chart at the end of this section.

The Annotated Code of Maryland, Article 25A, Section 5(P), authorizes borrowing funds and issuance of bonds up to a maximum of 6 percent of the assessed valuation of all real property and 15 percent of the assessed value of all personal property within the County. The legal debt limit as of June 30, 2004, is \$5,950,350,588 based upon the assessed valuation \$89,263,005,267 for all real property and \$3,963,801,610 for personal property. The County's outstanding general obligation debt of \$1,329,778,054 plus outstanding short-term commercial paper of \$150,000,000 plus outstanding MICRF loan of \$1,270,924 is 1.59 percent of assessed value, well within the legal debt limit and safely within the County's financial capabilities. A comparison of outstanding debt to legal debt limit is displayed in a chart included at the end of this section.

Additional information regarding the County's outstanding general obligation debt and revenue bond debt can be found in the Debt Service Program Direct Debt for Fiscal Year 2004 (Debt Service Booklet). Schedules which display the allocation of outstanding debt to government programs and functions, debt service requirements for bond principal and interest, and payment schedules for paying agents can also be found in the Debt Service Booklet.

### **Leases and Other Debt**

Long-term leases are similar to debt service in that they are long-term commitments of County funds for the construction or purchase of long-lived assets. They are displayed and appropriated within the Debt Service Fund. Short-term leases, where the payments represent a substantial County commitment for the acquisition of assets which have a shorter life, but still result in a substantial asset, are also displayed and appropriated within this Fund.

Long-term payments include:

- Lease payments to the Montgomery County Revenue Authority for the Conference Center, HHS Piccard Drive, and various Recreation pools.
- Lease payments to the Maryland Economic Development Corporation (MEDCO) for the Town Square and Wayne Avenue Garages in Silver Spring.
- Payments for the acquisition of a temperature controlled liquor warehouse.

Short-term lease payments include:

- Payments for the acquisition of a Public Safety Radio System.
- Payments for the acquisition of the Kay property.
- Payments for the acquisition of 83 County Ride On buses (through FY04).

Long-term loan payments to the Maryland Industrial and Commercial Redevelopment Fund (MICRF) are related to an economic development loan between the County and Aspen Systems Corporation. MICRF loaned money to the County which is repaid from the Debt Service Fund, is backed by the full faith and credit of the County, and is considered long-term debt of the County. The County made an equivalent economic development loan to Aspen Systems which is repaid by Aspen Systems into the Economic Development Fund.

Loan payments to HUD are related to a HUD Section 108 program loan that was received by the County. The County re-loaned the funds to HOC. Repayment of the loan will be made by HOC to the County through the MHI fund. Transfers from the MHI fund support the repayment shown in the Debt Service Fund.

The FY06 appropriations for the long-term leases, short-term leases, and the MICRF loan are displayed in a chart at the end of this section.

### **Other Long-Term Debt**

Certain other types of long-term debt are issued by the County government and State-chartered agencies of the County, such as the Maryland-National Capital Park and Planning Commission, Washington Suburban Sanitary Commission, Housing Opportunities Commission, and the Revenue Authority. Examples are revenue bonds, backed by fees and charges to facility users; and agency bonds, backed by separate taxes, charges, other revenues, and/or the faith and credit available directly to these agencies. In some cases, the County government may make direct payments under contract to these or other agencies, such as the service payment to the Northeast Maryland Waste Disposal Authority for financing of the Resource Recovery Facility. Most of these other types of non-general obligation debt are not included in expenditure listings of this section.

### **Debt Service Program**

The annual Debt Service obligation of all outstanding G.O. bond issues, long-term lease payments, long-term loans, short-term lease payments, and projections of certain related expenditures constitute the total Debt Service budget for FY06. When a bond-funded facility supports an activity funded by one of the County's Enterprise funds, the debt service is appropriated in that Enterprise fund operation. The Enterprise fund obligation is then subtracted from the total debt service to derive the Debt Service appropriation.

Montgomery County G.O. bonds are budgeted in specific categories for specific purposes: General County (County government facilities that are not included in the following categories); Roads and Storm Drains; Public Housing; Parks (including land and development for M-NCPPC regional and Countywide use parks); Public Schools; Montgomery College;

Fire Tax District; Mass Transit Fund; Recreation Fund; Noise Abatement Districts; Parking Districts; and Solid Waste Disposal Fund. A separate appropriation is made for the General Fund or a special fund (e.g., Mass Transit, Fire, Recreation, Noise Abatement Districts) as appropriate. These appropriations include debt service for G.O. bond issues outstanding, long-term lease obligations, short-term financing obligations, and the MICRF loan. The General County category includes an appropriation for County Debt Service on facilities for Police, Corrections, Human Services, Libraries, General Government, and other miscellaneous purposes. In recent years, Solid Waste projects have been funded entirely with revenue bonds or Enterprise fund current revenues, but general obligation debt service remains from prior year issues.

Certain other expenditures and revenues are included in Debt Service budget calculations. The total Debt Service budget consists of principal and interest on the bonds, long-term lease obligations, short-term financing obligations, and the MICRF loan which includes principal and interest. Bond anticipation notes (BANs)/commercial paper are short-term capital financing instruments issued with the expectation that the principal amount will be refunded with long-term bonds. In the meantime, interest costs are incurred, usually at lower rates than with more permanent financing. Cost of issuance includes the legal, administrative, and production cost of rating, issuing, and selling bonds, BANs/commercial paper and short- and long-term lease obligations.

Funding sources which offset the General Fund requirement for Debt Service include the accrued interest on bonds between the date of issue and the date the County receives the proceeds, investment income on BANs/commercial paper, and any premium on bonds issued. The special funds will fund the Debt Service appropriation via a transfer from individual special funds to the Debt Service Fund. These special funds include Fire Tax District, Mass Transit, Recreation, Bradley Noise Abatement, Cabin John Noise Abatement, and the Economic Development Fund.

The Montgomery County Revenue Stabilization Fund Law, Article XII, Section 20-71, Interest, requires transfer of interest earned on the Fund when the Fund exceeds 50 percent of the maximum Fund size authorized by Section 20-67(a). Interest must be transferred to the Debt Service Fund as an offset to the approved issuance of general obligation debt (PAYGO). The interest income earned will be transferred from the Revenue Stabilization Fund to the Debt Service Fund and then transferred from the Debt Service Fund to the CIP Fund to offset G.O. bond funding. Beginning in FY98, the Revenue Stabilization Fund exceeded 50 percent of the maximum Fund size; therefore, interest is assumed to be transferred to the Debt Service Fund for FY06-11.

## **Capital Improvements Program Impact On Operating Budget Debt Service Requirements**

Debt Service requirements are the single largest impact on the Operating Budget/Public Services Program by the Capital Improvements Program. The Charter-required CIP contains a plan or schedule of project expenditures for schools,

transportation, and infrastructure modernization, with estimated project costs, sources of funding, and timing of work over a six-year period. For FY05-10, approximately 57 percent of the CIP is funded with G.O. bonds. Each bond issue used to fund the CIP translates to a draw against the Operating Budget each year for 20 years. Debt requirements for past and future bond issues are calculated each fiscal year, and provision for the payment of Debt Service is included as part of the annual estimation of resources available for other Operating Budget requirements. Debt Service expenditures take up fiscal capacity that could be diverted to improved services as well as tax bill containment. As Debt Service grows over the years, increased pressures are placed on other PSP programs competing for scarce resources.

The County Council adopts Spending Affordability Guidelines for the capital budget based on criteria for debt affordability. These criteria are described in the County's Fiscal Policy and provide a foundation for judgments about the County's capacity to issue debt and its ability to retire the debt over time. Debt capacity evaluation also focuses on other factors which impact the County's ability and willingness to pay current and future bond holders. Debt obligations, which include G.O. debt service plus other long-term commitments, are expected to stay manageable, representing less than ten percent of General Fund revenues. Maintaining this guideline ensures that taxpayer resources are not overextended during fiscal downturns, nor are services squeezed out over time due to increased Debt Service burdens. The Debt Capacity chart is displayed at the end of this section. The chart displays the debt issues for the six years which are the basis of the G.O. bond-funded portion of the Amended FY05-10 CIP.

Annual bond-funding requirements (on which future debt issue projections are based) are based on summations of projected bond-funded expenditures identified by project, amount, and year. The total programmed bond-funded expenditures for each year and for the CIP period are then adjusted to assist in estimating annual bond issue requirements. Adjustment factors include inflation, project implementation rate, commitment of County current revenues (PAYGO) as an offset against bond requirements, and a set-aside for future unprogrammed projects. The resulting bond requirements are then compared to planned bond issue levels over the six-year period. It is most critical that debt funding of the CIP be within projected bond issue requirements for the first and second years and for the six years, and the County Executive's Amended FY05-10 Capital Improvements Program meets that requirement. The General Obligation Bond Adjustment chart reflecting the Executive's proposals for the Amended FY05-10 CIP is included at the end of this section.

### **FY05 Estimated Debt Service**

FY05 estimated general obligation Debt Service and lease expenditure requirements for tax-supported funds total \$201.5 million, or \$2.3 million less than the budget amount of \$203.8 million, due primarily to greater than expected savings from the G.O. bond refunding.

### **FY06 Recommended Debt Service Budget**

The FY06 Debt Service budget is predicated on a base of existing Debt Service requirements from past bond issues

(through May 2004) plus the following:

- A May 2005 issue of \$200 million at a true interest cost of 5.9 percent for 20 years with even principal payments.
- Interest expense based on an anticipated average BANs/commercial paper balance of \$166.7 million during FY06.
- Continuation of long-term lease obligations for the Conference Center, HHS Piccard, Town Square and Wayne Avenue Garages, and various pools.
- Continuation of the MICRF loan.
- Long-term lease obligations for the construction of the temperature controlled liquor warehouse and the Germantown Indoor Swim Center.
- Short-term financing obligations for the acquisition of the Public Safety Radio System and the Kay property.

A spring bond issue delays principal and two semiannual interest payments until FY06. Spring bond issues are expected to continue in FY06 through FY11. The favorable short-term interest on commercial paper is significantly offset by investment income earned by BANs/commercial paper funds prior to their required use for project expenditures.

The Debt Service assumptions discussed above result in a total FY06 Debt Service requirement for tax supported funds of \$217.1 million, which is a 6.5 percent increase from the FY05 budget of \$203.8 million. The General Fund appropriation requirement is \$201.8 million, or 5.7 percent more than the budgeted FY05 amount of \$190.8 million. The special funds appropriation requirements are \$15.3 million, or 17.8 percent more than the budgeted FY05 amount of \$13.0 million. The change is mainly due to increased expenditures on the West Germantown Fire Station, Silver Spring Fire Station 1 Replacement, the Damascus Community Recreation Center and the Liquor Control Warehouse. The special funds include Fire Tax District, Mass Transit, Recreation, Bradley Noise Abatement, Cabin John Noise Abatement and Liquor Control. Road and school bonds, both in the General Fund, have continued to increase as a component of Debt Service requirements. In recent years, and in projections, the Enterprise funds' share of total Debt Service is decreasing, because, as noted above, the Enterprise funds have made increased use of revenue bonds and current fund revenues to meet capital financing requirements.

### **Public Services Program**

The six-year Public Services Program for Debt Service is predicated on the bond issue requirements in the Recommended CIP, adjusted for inflation, and implementation of the capital program at a projected 92 percent rate in FY05 and FY06, and 93 percent in FY07-10. The actual true interest cost of 5.9 percent is budgeted for the May 2005 issue. Projected interest rates for bond issues for FY05 through FY10 are based on an econometric model which forecasts little change in interest rates after FY05. Under these projections and assumptions, tax-supported Debt Service will increase from \$217.1 million in FY06 to \$264.1 million by FY11 with the General Fund revenue requirement growing from \$201.8 million in FY06 to \$243.2 million by FY11.

### **Rating Agency Reviews**

Montgomery County continues to maintain its status as a

top-rated issuer of municipal securities. The County has the highest credit ratings possible for a local government, AAA, from Moody's Investors Service, Inc. (since 1973), from Standard and Poor's (since 1976), and from Fitch (since 1993, the first year a rating was sought from Fitch). These high ratings are critical to ensure the lowest possible cost of debt to citizens. High ratings translate into lower interest rates and considerable savings over the 20-year interest payments on the bonds. The rating agencies also place great emphasis on certain operating budget criteria, the quality of government administration, legal or constitutional restrictions, and the overall condition of the local economy. All of these factors are considered evidence of both the ability and willingness of local governments to support public debt.

### **Development Districts**

Three development districts have been created in accordance with Chapter 14 of the Montgomery County Code, the Montgomery County Development District Act enacted in 1994. The West Germantown District was created by Council Resolution 13-1135, the Kingsview Village Center Development District was created by Resolution 13-1377, and the Clarksburg Town Center District was created by Resolution 15-87. The creation of the development districts allows the County to provide financing, refinancing, or reimbursement for the cost of infrastructure improvements necessary for the development of land in areas of the County of high priority for new development or redevelopment. Special assessments and/or special taxes may be levied to fund the issuance of bonds or other obligations created from the construction or purchase of infrastructure improvements.

The West Germantown Development District was created in an unincorporated area of Montgomery County, encompassing approximately 671 acres. Various transportation, local park, and sewer infrastructure improvements have or will be constructed by developers and acquired by the County at completion for a total cost of \$12.8 million. Special obligation bonds were issued in March 2002.

The Kingsview Village Center Development District was created in an unincorporated area of Montgomery County, encompassing approximately 29 acres. Various transportation improvements were constructed by developers and acquired by the County at completion for a total cost of \$2.7 million. Special obligation bonds were issued in December 1999.

The Clarksburg Town Center Development District was created by Council Resolution 15-87 on March 4, 2003, in an unincorporated area of Montgomery County, encompassing approximately 280 acres. Various transportation, water supply, and greenway trail improvements will be constructed by the developer and acquired by the County at completion for a total cost of \$10.76 million. In addition, the District will fund contributions totaling \$6.24 million toward the capital cost of two County government projects (a library and extension of Stringtown Road to I-270). Special obligation bonds will be issued in the future for these improvements.

In October 2001, the County Council approved resolution number 14-1009 initiating evaluation of two additional development districts proposed for Clarksburg: Clarksburg

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Village and Clarksburg Skylark. The evaluation of these two additional districts remains under consideration although discussions with the petitioners have been inclusive to date as to whether the two additional districts will proceed. Upon completion, the three proposed Clarksburg developments will consist of 3,900 residential units, and approximately 110,000 square feet of retail space.

The County issues special obligation bonds to fund the acquisition of the completed infrastructure assets. The debt service on the special obligation debt is funded by an ad valorem tax and special benefit assessment levied on the properties located in the development district. The County Council, by separate resolution, sets the ad valorem tax and special benefit assessment at rates sufficient to pay the principal, interest, any redemption premium on the bonds, and administrative expenses.

Revenues resulting from the ad valorem tax and special benefit assessed, and expenditures for the debt service on the special obligation bonds and administrative expenses, are accounted for in an agency fund, because the County has no obligation whatsoever for the indebtedness. The County acts only as a financing conduit and agent for the property owners and bondholders. In accordance with Section 20A-1 of the Montgomery County Code, the bonds or other obligations issued may not constitute a general obligation debt of the County or a pledge of the County's full faith and credit or taxing power.

## **PROGRAM CONTACTS**

Contact Jennifer Barrett of the Department of Finance at 240.777.8870 or Jacqueline Carter of the Office of Management and Budget at 240.777.2771 for more information regarding this department's operating budget.

## BUDGET SUMMARY

	Actual FY04	Budget FY05	Estimated FY05	Recommended FY06	% Chg Bud/Rec
<b>DEBT SERVICE</b>					
<b>EXPENDITURES</b>					
Salaries and Wages	0	0	0	0	—
Employee Benefits	0	0	0	0	—
<b>Debt Service Personnel Costs</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	—
Operating Expenses	0	0	0	0	—
Debt Service G.O. Bonds	194,158,606	203,844,950	201,472,620	217,074,540	6.5%
Capital Outlay	0	0	0	0	—
<b>Debt Service Expenditures</b>	<b>194,158,606</b>	<b>203,844,950</b>	<b>201,472,620</b>	<b>217,074,540</b>	<b>6.5%</b>
<b>PERSONNEL</b>					
Full-Time	0	0	0	0	—
Part-Time	0	0	0	0	—
Workyears	0.0	0.0	0.0	0.0	—
<b>REVENUES</b>					
Street Assessments	3,745	0	0	0	—
Premium on GO Bonds	485,333	0	0	0	—
BAN/Comm Paper Investment Income: Pooled	515,058	1,700,000	1,090,490	2,722,000	60.1%
Accrued Interest: GO Refunding Bonds	347,072	0	525,890	0	—
Accrued Interest: Installment Notes, I&P	727,529	0	36,590	0	—
Accrued Interest: Bonds Non-Pooled	397,833	300,000	462,380	300,000	—
<b>Debt Service Revenues</b>	<b>2,476,570</b>	<b>2,000,000</b>	<b>2,115,350</b>	<b>3,022,000</b>	<b>51.1%</b>

# DEBT SERVICE - GENERAL OBLIGATION BONDS AND LONG & SHORT TERM LEASES

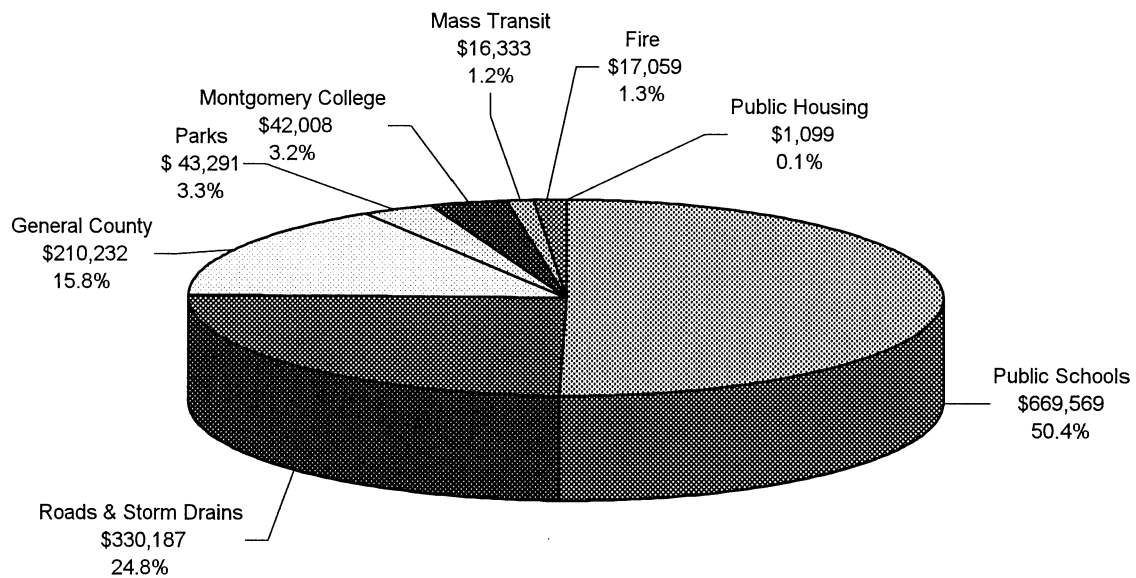
	Actual FY03	Actual FY04	Budget FY05	Estimated FY05	Recommended FY06	% Chg Rec/Bud	Rec % GO Bonds
<b>GO BOND DEBT SERVICE EXPENDITURES</b>							
General County	20,310,148	19,586,319	22,913,750	22,368,340	24,308,440		12.9%
Roads & Storm Drains	46,463,300	46,642,173	46,362,740	45,683,510	49,899,240		26.4%
Public Housing	327,862	312,550	297,090	297,080	281,550		0.1%
Parks	5,512,159	5,215,712	5,746,810	5,564,370	6,722,720		3.6%
Public Schools	81,343,699	83,881,739	87,273,450	86,162,420	90,201,310		47.8%
Montgomery College	4,251,374	4,845,285	4,790,530	4,730,720	6,211,610		3.3%
Bond Anticipation Notes/Commercial Paper	1,829,315	1,317,433	3,000,000	2,887,500	3,333,300		
Bond Refunding	-	-	(750,000)	-	-		
Cost of Issuance: General Fund	692,091	645,288	928,900	928,900	952,120		
<b>Total General Fund</b>	<b>160,729,948</b>	<b>162,446,499</b>	<b>170,563,270</b>	<b>168,622,840</b>	<b>181,910,290</b>	<b>6.7%</b>	<b>94.1%</b>
Fire Tax District Fund	2,147,648	2,256,102	2,294,600	2,276,040	3,043,220	32.6%	1.6%
Mass Transit Fund	3,760,774	3,140,136	3,038,680	3,005,060	3,119,380	2.7%	1.7%
Recreation Fund	3,144,518	3,547,968	4,126,760	3,981,840	4,850,190	17.5%	2.6%
Bradley Noise Abatement Fund	36,313	35,112	33,890	33,890	32,650	-3.7%	0.0%
Cabin John Noise Abatement Fund	10,767	10,411	10,060	10,050	9,690	-3.7%	0.0%
<b>Total Tax Supported Other Funds</b>	<b>9,100,020</b>	<b>8,989,729</b>	<b>9,503,990</b>	<b>9,306,880</b>	<b>11,055,130</b>	<b>16.3%</b>	<b>5.9%</b>
<b>TOTAL TAX SUPPORTED</b>	<b>169,829,968</b>	<b>171,436,228</b>	<b>180,067,260</b>	<b>177,929,720</b>	<b>192,965,420</b>	<b>7.2%</b>	<b>100.0%</b>
Parking District Funds	374,500	-	-	-	-	0.0%	0.0%
Solid Waste Disposal Fund	110,298	97,685	58,440	58,430	55,160	-5.6%	0.0%
<b>Total Non-Tax Supported</b>	<b>484,798</b>	<b>97,685</b>	<b>58,440</b>	<b>58,430</b>	<b>55,160</b>	<b>-5.6%</b>	<b>0.0%</b>
<b>TOTAL GO BOND DEBT SERVICE EXPENDITURES</b>	<b>170,314,766</b>	<b>171,533,913</b>	<b>180,125,700</b>	<b>177,988,150</b>	<b>193,020,580</b>	<b>7.2%</b>	<b>100.0%</b>
<b>LONG-TERM LEASE EXPENDITURES</b>							
Revenue Authority - Conference Center	561,426	1,581,768	2,269,510	2,269,510	2,266,060		
Revenue Authority - HHS Piccard Drive	640,952	636,388	634,520	634,520	631,830		
Silver Spring Garages	992,093	5,376,400	6,227,710	6,227,710	5,858,990		
Revenue Authority - Recreation Pools	1,353,903	1,327,174	3,197,900	3,153,110	3,100,180		
Liquor Control Warehouse	-	-	190,000	-	1,050,000		
<b>TOTAL LONG-TERM LEASE EXPENDITURES</b>	<b>3,548,374</b>	<b>8,921,730</b>	<b>12,519,640</b>	<b>12,284,850</b>	<b>12,907,060</b>		
<b>SHORT-TERM LEASE EXPENDITURES</b>							
Short Term Financing - Public Safety Radio	10,383,688	10,320,688	10,276,090	10,276,090	10,220,100		
Short Term Financing - Kay Property	-	-	871,600	871,600	871,600		
Short Term Financing - Buses	3,390,000	3,369,600	-	-	-		
<b>TOTAL SHORT-TERM LEASE EXPENDITURES</b>	<b>13,773,688</b>	<b>13,690,288</b>	<b>11,147,690</b>	<b>11,147,690</b>	<b>11,091,700</b>		
<b>OTHER LONG-TERM DEBT</b>							
MICRF Loan	110,360	110,360	110,360	110,360	110,360		
<b>TOTAL DEBT SERVICE EXPENDITURES-Tax Supported</b>	<b>187,262,390</b>	<b>194,158,606</b>	<b>203,844,950</b>	<b>201,472,620</b>	<b>217,074,540</b>	<b>6.5%</b>	
HUD Loan - Montgomery Housing Initiative	-	18,463	-	80,940	-		
<b>TOTAL DEBT SERVICE EXPENDITURES</b>	<b>187,247,188</b>	<b>194,274,754</b>	<b>203,903,390</b>	<b>201,611,990</b>	<b>217,129,700</b>	<b>6.5%</b>	
<b>GO BOND DEBT SERVICE FUNDING SOURCES</b>							
General Funds	155,840,126	159,771,070	168,563,270	166,507,490	178,888,290		
Accrued Interest: Bonds-Non Pooled	703,889	397,833	300,000	462,380	300,000		
Accrued Interest: G.O.Refunding Bonds	335,805	347,072	-	525,890	-		
Accrued Interest: Installmt Notes, I&P, Street Assessmts	145,503	727,529	-	36,590	-		
BAH/Commercial Paper Investment Income	680,701	515,058	1,700,000	1,090,490	2,722,000		
Special Street Assessments	4,882	3,745	-	-	-		
Premium on General Obligation Bonds	3,039,440	485,333	-	-	-		
<b>Total General Fund Sources</b>	<b>160,750,346</b>	<b>162,247,640</b>	<b>170,563,270</b>	<b>168,622,840</b>	<b>181,910,290</b>		
Fire Tax District Funds	2,140,101	2,481,625	2,294,600	2,276,040	3,043,220		
Mass Transit Fund	3,750,321	3,114,488	3,038,680	3,005,060	3,119,380		
Recreation Fund	3,142,120	3,546,952	4,126,760	3,981,840	4,850,190		
Bradley Noise Abatement Fund	36,313	35,112	33,890	33,890	32,650		
Cabin John Noise Abatement Fund	10,767	10,411	10,060	10,050	9,690		
Parking Lot District Funds	374,500	-	-	-	-		
Solid Waste Disposal Fund	110,298	97,685	58,440	58,430	55,160		
<b>Total Other Funding Sources</b>	<b>9,564,420</b>	<b>9,286,273</b>	<b>9,562,430</b>	<b>9,365,310</b>	<b>11,110,290</b>		
<b>TOTAL GO BOND FUNDING SOURCES</b>	<b>170,314,766</b>	<b>171,533,913</b>	<b>180,125,700</b>	<b>177,988,150</b>	<b>193,020,580</b>		
<b>NON GO BOND FUNDING SOURCES</b>							
General Funds	12,578,159	17,915,244	20,279,430	20,279,430	19,848,580		
Montgomery Housing Initiative Fund	-	18,463	-	80,940	-		
Mass Transit Fund	3,390,000	3,369,600	-	-	-		
Liquor Control Fund	-	-	190,000	-	1,050,000		
Economic Development Fund	110,360	110,360	110,360	110,360	110,360		
Recreation Fund	1,353,903	1,327,174	3,197,900	3,153,110	3,100,180		
<b>TOTAL NON GO BOND FUNDING SOURCES</b>	<b>17,432,422</b>	<b>22,740,841</b>	<b>23,777,690</b>	<b>23,623,840</b>	<b>24,109,120</b>		
<b>TOTAL FUNDING SOURCES</b>	<b>187,747,188</b>	<b>194,274,754</b>	<b>203,903,390</b>	<b>201,611,990</b>	<b>217,129,700</b>		
<b>TRANSFERS</b>							
FROM: RSF Investment Income	1,342,360	1,083,101	2,206,660	2,062,740	3,035,320		
TO: CIP - PAYGO	1,342,360	1,083,101	2,206,660	2,062,740	3,035,320		
<b>TOTAL GENERAL OBLIGATION BOND SALES</b>							
Actual and Estimated Bond Sales	155,000,000	154,600,000	-	200,000,000	-		
Council SAG Approved Issues	-	-	209,000,000	-	209,000,000		

<b>DEBT SERVICE - GENERAL OBLIGATION BONDS AND LONG &amp; SHORT TERM LEASES</b>						
	Recommended FY06	Projected FY07	Projected FY08	Projected FY09	Projected FY10	Projected FY11
<b>GO BOND DEBT SERVICE EXPENDITURES</b>						
General County	24,308,440	26,849,730	27,691,590	29,369,650	33,975,750	38,422,580
Roads & Storm Drains	49,899,240	54,714,860	57,741,550	57,471,520	57,840,860	57,126,620
Public Housing	281,550	266,000	250,420	175,010	108,320	34,920
Parks	6,722,720	7,186,950	8,025,140	9,024,360	10,493,690	12,062,530
Public Schools	90,201,310	97,682,870	107,002,790	107,312,790	105,687,660	104,045,990
Montgomery College	6,211,610	7,218,560	8,269,920	10,412,480	13,613,390	15,494,280
Bond Anticipation Notes/Commercial Paper	3,333,300	4,468,800	5,281,300	5,931,300	6,500,000	6,906,300
Cost of Issuance	952,120	975,920	1,000,320	1,025,330	1,050,960	1,077,240
<b>Total General Fund</b>	<b>181,910,290</b>	<b>199,363,690</b>	<b>215,263,030</b>	<b>220,722,440</b>	<b>229,270,630</b>	<b>235,170,460</b>
Fire Tax District Fund	3,043,220	3,699,460	3,954,380	5,064,800	5,297,170	5,645,090
Mass Transit Fund	3,119,380	2,984,810	2,828,870	2,497,550	2,285,650	2,044,600
Recreation Fund	4,850,190	5,351,840	5,612,740	6,598,000	8,563,880	9,625,960
Bradley Noise Abatement Fund	32,650	31,390	30,120	28,810	27,500	26,180
Cabin John Noise Abatement Fund	9,690	9,320	8,940	8,560	8,170	7,780
<b>Total Tax Supported Other Funds</b>	<b>11,055,130</b>	<b>12,076,820</b>	<b>12,435,050</b>	<b>14,197,720</b>	<b>16,182,370</b>	<b>17,349,610</b>
<b>TOTAL TAX SUPPORTED</b>	<b>192,965,420</b>	<b>211,440,510</b>	<b>227,698,080</b>	<b>234,920,160</b>	<b>245,453,000</b>	<b>252,520,070</b>
Solid Waste Disposal Fund	55,160	2,720	2,540	-	-	-
<b>Total Non-Tax Supported</b>	<b>55,160</b>	<b>2,720</b>	<b>2,540</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL GO BOND DEBT SERVICE EXPENDITURES</b>	<b>193,020,580</b>	<b>211,443,230</b>	<b>227,700,620</b>	<b>234,920,160</b>	<b>245,453,000</b>	<b>252,520,070</b>
<b>LONG-TERM LEASE EXPENDITURES</b>						
Revenue Authority - Conference Center	2,266,060	2,264,410	2,204,210	2,198,800	1,903,290	1,901,640
Revenue Authority - HHS Piccard Drive	631,830	633,200	633,490	632,700	635,700	632,500
Silver Spring Garages	5,858,990	5,862,370	5,591,010	5,553,520	5,590,330	5,544,320
Revenue Authority - Recreation Pools	3,100,180	3,060,300	3,051,120	2,662,970	2,664,820	2,325,810
Liquor Control Warehouse	1,050,000	1,050,000	1,050,000	1,050,000	1,050,000	1,050,000
<b>TOTAL LONG-TERM LEASE EXPENDITURES</b>	<b>12,907,060</b>	<b>12,870,280</b>	<b>12,529,830</b>	<b>12,097,990</b>	<b>11,844,140</b>	<b>11,454,270</b>
<b>SHORT-TERM LEASE EXPENDITURES</b>						
Short Term Financing - Public Safety Radio	10,220,100	-	-	-	-	-
Short Term Financing - Kay Property	871,600	871,600	871,600	871,600	-	-
<b>TOTAL SHORT-TERM LEASE EXPENDITURES</b>	<b>11,091,700</b>	<b>871,600</b>	<b>871,600</b>	<b>871,600</b>	<b>-</b>	<b>-</b>
<b>OTHER LONG-TERM DEBT</b>						
MICRF Loan	110,360	110,360	110,360	110,360	110,360	110,360
<b>TOTAL DEBT SERVICE EXPENDITURES-Tax Supported</b>	<b>217,074,540</b>	<b>225,292,750</b>	<b>241,209,870</b>	<b>248,000,110</b>	<b>257,407,500</b>	<b>264,084,700</b>
<b>TOTAL DEBT SERVICE EXPENDITURES</b>	<b>217,129,700</b>	<b>225,295,470</b>	<b>241,212,410</b>	<b>248,000,110</b>	<b>257,407,500</b>	<b>264,084,700</b>
<b>GO BOND DEBT SERVICE FUNDING SOURCES</b>						
General Funds	178,888,290	195,223,690	210,611,030	215,660,840	223,746,530	229,385,160
Accrued Interest on Bonds - Non-Pooled	300,000	300,000	300,000	300,000	300,000	300,000
BAN/Commercial Paper Investment Income	2,722,000	3,840,000	4,352,000	4,761,600	5,224,100	5,485,300
<b>Total General Fund Sources</b>	<b>181,910,290</b>	<b>199,363,690</b>	<b>215,263,030</b>	<b>220,722,440</b>	<b>229,270,630</b>	<b>235,170,460</b>
Fire Tax District Fund	3,043,220	3,699,460	3,954,380	5,064,800	5,297,170	5,645,090
Mass Transit Fund	3,119,380	2,984,810	2,828,870	2,497,550	2,285,650	2,044,600
Recreation Fund	4,850,190	5,351,840	5,612,740	6,598,000	8,563,880	9,625,960
Bradley Noise Abatement Fund	32,650	31,390	30,120	28,810	27,500	26,180
Cabin John Noise Abatement Fund	9,690	9,320	8,940	8,560	8,170	7,780
Solid Waste Disposal Fund	55,160	2,720	2,540	-	-	-
<b>Total Other Funding Sources</b>	<b>11,110,290</b>	<b>12,079,540</b>	<b>12,437,590</b>	<b>14,197,720</b>	<b>16,182,370</b>	<b>17,349,610</b>
<b>TOTAL GO BOND FUNDING SOURCES</b>	<b>193,020,580</b>	<b>211,443,230</b>	<b>227,700,620</b>	<b>234,920,160</b>	<b>245,453,000</b>	<b>252,520,070</b>
<b>NON GO BOND FUNDING SOURCES</b>						
General Funds	19,848,580	9,631,580	9,300,310	9,256,620	8,129,320	8,078,460
Liquor Control Fund	1,050,000	1,050,000	1,050,000	1,050,000	1,050,000	1,050,000
Economic Development Fund	110,360	110,360	110,360	110,360	110,360	110,360
Recreation Fund	3,100,180	3,060,300	3,051,120	2,662,970	2,664,820	2,325,810
<b>TOTAL NON GO BOND FUNDING SOURCES</b>	<b>24,109,120</b>	<b>13,852,240</b>	<b>13,511,790</b>	<b>13,079,950</b>	<b>11,954,500</b>	<b>11,564,630</b>
<b>TOTAL FUNDING SOURCES</b>	<b>217,129,700</b>	<b>225,295,470</b>	<b>241,212,410</b>	<b>248,000,110</b>	<b>257,407,500</b>	<b>264,084,700</b>
<b>TRANSFERS</b>						
FROM: RSF Investment Income	3,035,320	3,794,150	4,300,040	4,704,750	5,058,870	5,311,810
TO: CIP - PAYGO	3,035,320	3,794,150	4,300,040	4,704,750	5,058,870	5,311,810
<b>TOTAL GENERAL OBLIGATION BOND SALES</b>						
Council SAG Approved Issues (flatlined in FY11)	209,000,000	200,000,000	200,000,000	200,000,000	200,000,000	200,000,000
<b>ESTIMATED INTEREST RATE</b>	<b>6.10%</b>	<b>6.10%</b>	<b>6.10%</b>	<b>6.00%</b>	<b>6.00%</b>	<b>6.10%</b>

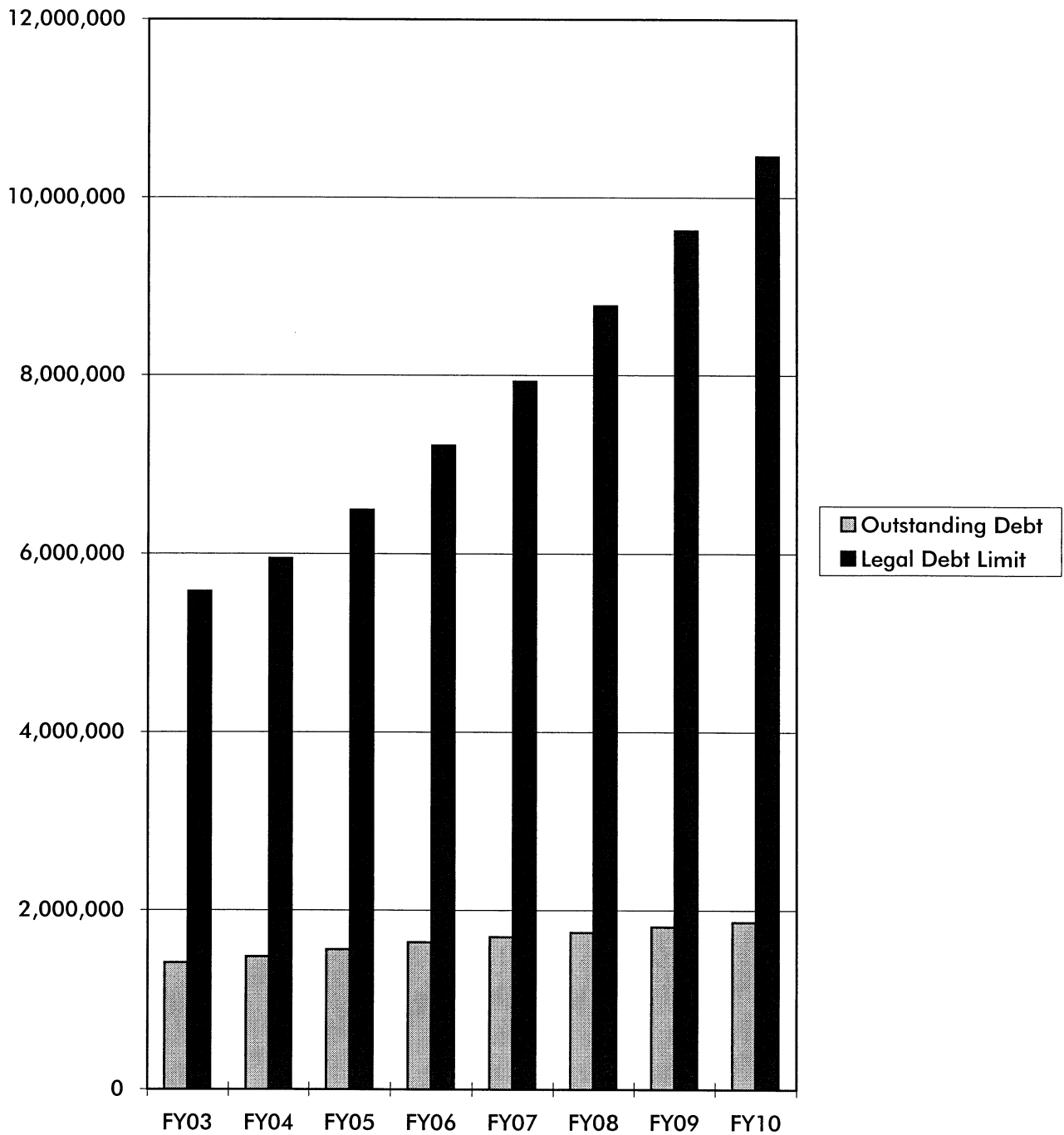


**General Obligation Bonds Outstanding by Bond Category  
(\$000s)**

**Total \$1,329,778 as of June 30, 2004**



**Outstanding Debt and Legal Debt Limit  
(\$000s)**



# DEBT CAPACITY ANALYSIS (1)

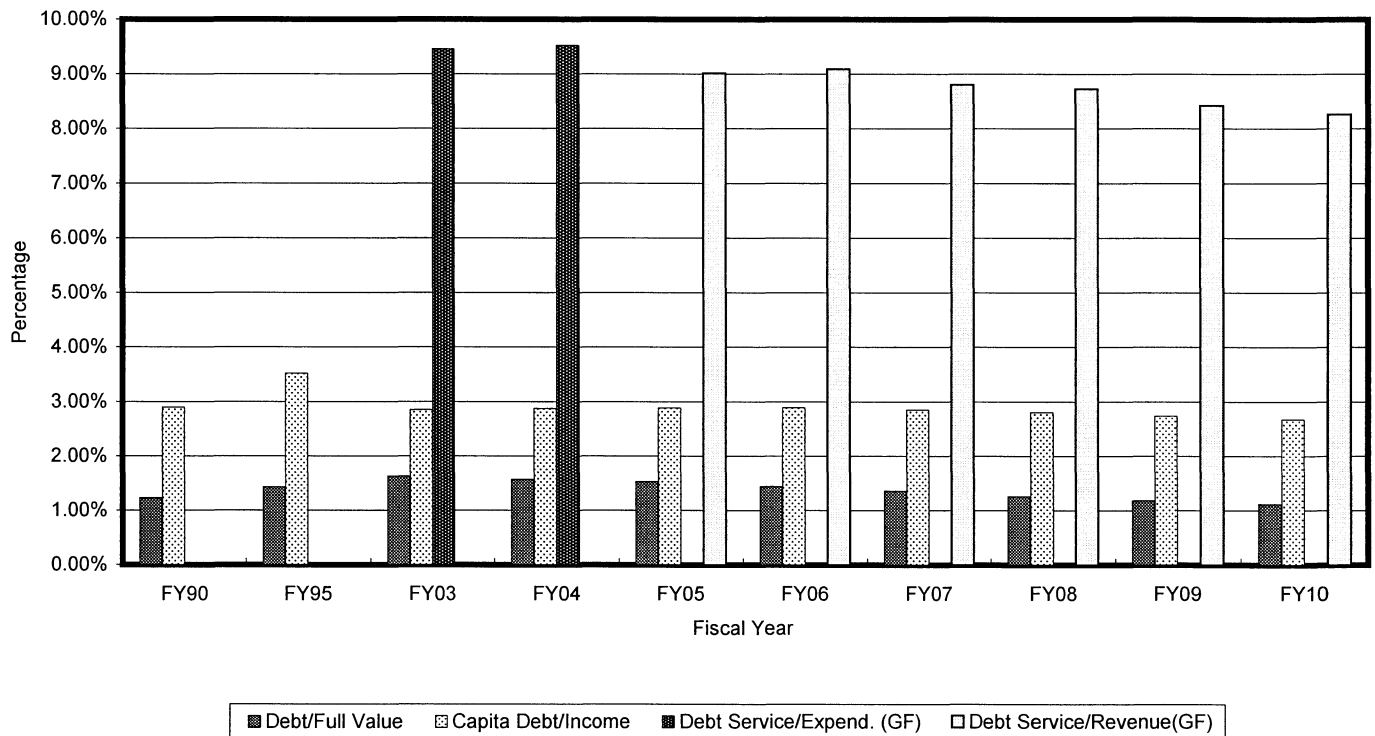
## FY05-10 Amended Capital Improvements Program COUNTY EXECUTIVE RECOMMENDED WITH PSP ASSUMPTIONS MARCH 15, 2005

GO BOND 6 YR TOTAL = 1218.0 MILLION  
GO BOND FY05 TOTAL = 209.0 MILLION  
GO BOND FY06 TOTAL = 209.0 MILLION

	FY90	FY95	FY03	FY04	FY05	FY06	FY07	FY08	FY09	FY10
1 New GO Debt Issued (\$000s)	150,000	100,000	155,000	154,600	209,000	209,000	200,000	200,000	200,000	200,000
2 GO Debt/Full Value	1.22%	1.43%	1.63%	1.57%	1.53%	1.44%	1.35%	1.26%	1.18%	1.12%
3 Debt Service + LTL + Short-Term Leases/Expend (GF)			9.46%	9.52%						
4 Debt Service + LTL + Short-Term Leases/Revenues (GF) (2)					9.01%	9.09%	8.81%	8.73%	8.42%	8.27%
5 \$ Debt/Capita	972	1,302	1,538	1,591	1,656	1,718	1,758	1,788	1,832	1,866
6 \$ Real Debt/Capita (FY04=100%)	1,286	1,538	1,613	1,591	1,611	1,629	1,625	1,610	1,610	1,600
7 Capita Debt/Capita Income	2.90%	3.52%	2.85%	2.88%	2.89%	2.89%	2.85%	2.80%	2.74%	2.67%
8 Payout Ratio	66.80%	70.00%	71.10%	70.94%	70.07%	69.53%	69.29%	69.14%	69.43%	69.80%
9 Total Debt Outstanding (\$000s)	712,605	1,054,641	1,412,234	1,481,049	1,569,571	1,648,997	1,709,080	1,759,430	1,820,932	1,873,830
10 Real Debt Outstanding (FY04=100%)	942,608	1,245,521	1,457,048	1,481,049	1,526,820	1,563,433	1,579,336	1,584,663	1,600,054	1,606,376
11 Note: OP/PSP Growth Assumption (3)						6.2%	6.6%	7.7%	6.2%	5.4%

### Notes:

- (1) This analysis is used to determine the capacity of Montgomery County to pay debt service on long-term GO Bond debt, long-term leases, and substantial short-term financing.
- (2) Effective in FY05, the ratio is based on General Fund tax supported revenues and other funding sources in the Debt Service Fund.
- (3) OP/PSP Growth Assumption equals change in revenues from FY05 estimate to FY05 budget for FY06 and budget to budget for FY07-10.



## GENERAL OBLIGATION BOND ADJUSTMENT CHART

### FY05-10 Capital Improvements Program COUNTY EXECUTIVE RECOMMENDED MARCH 15, 2005

(\$ millions)	6 YEARS	FY05	FY06	FY07	FY08	FY09	FY10
BONDS PLANNED FOR ISSUE	1,218.000	209.000	209.000	200.000	200.000	200.000	200.000
Assumes Council SAG							
Plus PAYGO Funded	185.600	7.275	26.725	36.000	38.000	38.000	39.600
Plus Recordation Tax	121.692	45.875	26.592	17.173	11.420	10.131	10.501
Adjust for Implementation *	92.004	18.174	18.174	14.571	14.132	13.703	13.250
Adjust for Future Inflation *	(60.570)	-	-	(6.416)	(12.250)	(17.941)	(23.963)
SUBTOTAL FUNDS AVAILABLE FOR							
DEBT ELIGIBLE PROJECTS (after adjustments)	1,556.726	280.324	280.491	261.328	251.302	243.893	239.388
Less Set Aside: Future Projects	194.378	12.712	29.364	14.977	21.224	48.878	67.223
	12.486%						
<b>TOTAL FUNDS AVAILABLE FOR PROGRAMMING</b>	<b>1,362.348</b>	<b>267.612</b>	<b>251.127</b>	<b>246.351</b>	<b>230.078</b>	<b>195.015</b>	<b>172.165</b>
MCPS	(516.837)	(122.012)	(119.443)	(114.537)	(73.579)	(39.973)	(47.293)
MONTGOMERY COLLEGE	(106.509)	(9.413)	(14.213)	(12.567)	(23.757)	(29.128)	(17.431)
M-NCPPC PARKS	(75.026)	(10.154)	(9.284)	(10.125)	(14.626)	(14.729)	(16.108)
TRANSPORTATION	(309.057)	(60.099)	(68.137)	(64.388)	(55.973)	(33.550)	(26.910)
MCG - OTHER	(354.919)	(65.934)	(40.050)	(44.734)	(62.143)	(77.635)	(64.423)
<b>SUBTOTAL PROGRAMMED EXPENDITURES</b>	<b>(1,362.348)</b>	<b>(267.612)</b>	<b>(251.127)</b>	<b>(246.351)</b>	<b>(230.078)</b>	<b>(195.015)</b>	<b>(172.165)</b>
<b>AVAILABLE OR (GAP)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
NOTES:							
* Adjustments Include:							
Inflation =		2.80%	2.60%	2.60%	2.50%	2.50%	2.60%
Implementation Rate =		92.00%	92.00%	93.00%	93.00%	93.00%	93.00%

**NOTE: This chart includes proposed County Executive adjustments to the Amended FY05-10 Capital Improvements Program recommended on January 13, 2005.**